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C O N F I D E N T I A L CARACAS 001539

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E.O. 12958: DECL: 2024/11/23
TAGS: [ECON](#) [EAGR](#) [VE](#) [PGOV](#) [ETRD](#)
SUBJECT: Venezuela's Rice Availability Diminishing

CLASSIFIED BY: Duddy, Ambassador, DOS, AMB; REASON: 1.4(B)

¶1. (C) Summary: According to local rice producers and traders, Venezuela's rice supplies are contracting due to diminished domestic output and a slow import program. Although there have been high profile purchases in the last few months from Ecuador, Argentina, and Guyana to cover the expected production gap, we understand that they will not meet Venezuela's needs, and the country may once again have to turn to the United States. End Summary.

¶2. (C) According to Tulio Burgos (protect), a leading rice producer in Guarico state, rice production is expected to be lower this year, as rainfall was neither timely nor sufficient to make a good crop. Although Guarico normally has sufficient water stored in irrigation dams, water levels have fallen significantly. Compounding the problem is the fact that irrigation infrastructure has deteriorated to the point where it is becoming more difficult to distribute the water that is available to farmers in need. According to Burgos, this government-owned system has not been maintained as it should be, despite the user fees the government collects from farmers and promises by the Minister of Agriculture, and has become outdated and inefficient.

¶3. (C) Although official government sources claim that the current rice crop will be a success, private sector analysts believe that at best production will fall by about 100,000 metric tons, or some 15 percent from the previous year. Using these numbers as a starting point, private sector analysts estimate that rice imports for calendar year 2010 could reach 400,000 metric tons, at least 100,000 metric tons greater than in 2009.

¶4. (C) With the government essentially the sole rice importer, its actions now become critical to the maintenance of domestic rice supplies. In calendar year 2008, the government's desire to keep food on the table resulted in a significant import program of more than 300,000 metric tons, nearly all from the United States. According to trade contacts, however, the government's rice import program to cover the expected larger deficit has not begun in earnest. Limited contacts so far between the US rice industry and CASA, the BRV's principle rice distributor, have not resulted in any notable sales. This delay could have an important impact on the BRV's pocketbook; with world prices rising and supplies tighter, failure to close business soon may mean that any rice imports will end up costing the government significantly more.

¶5. (C) According to contacts, attempts to avoid rice shortages by purchasing from other countries have so far not been successful.

They report that some 80,000 metric tons of rice purchased from Ecuador arrived in poor condition and thus may have to be used as feed instead of food. Deals finalized with Guyana for 50,000 tons are being held up by logistical issues, and we are told that 30,000 tons of rice purchased by CASA from Argentina is being delayed as CASA does not have sufficient funds to open a letter of credit.

DUDDY